

Art as a diversification strategy

Marie de Limburg Stirum

Geneva, January 13, 2023

2022 has been an extraordinarily volatile year for all financial assets. No safe investment could be found. Not even gold, often considered as good protection, at least against inflation.

This high volatility does not question an equity investment strategy targeting high value-creating and profitable companies with strong long-term growth, but it seems obvious that diversification remains essential to get through more stormy times. With this in mind, it is interesting to have a more thorough look at the art market.

Art can be considered as an excellent tool for portfolio diversification, offering solid financial coverage, independent of macroeconomic conditions. It has continued to grow in recent years, even when global capital markets were volatile. Due to its low correlation with other assets such as stocks, bonds, real estate or gold, art therefore registers as a tangible real asset which can provide good protection against inflation and currency depreciation.

It is, however, important to remain careful. Art surely is a movable asset that has shown long-term performance, with a reliable track-record in the market for the past 500 years, but it requires good management and specific expertise. It evolves in a less transparent world than other markets. Despite the rules and laws in place, it often remains difficult to understand and assess.

The conditions of purchase and sale, the work's state of conservation, its origins and its rarity are all criteria influencing its value. It is therefore necessary to be well informed and to seek advice when appraising and valuing pieces of art.

